

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Financial Statements With Auditor's Report

As of and For the Year Ended December 31, 2012

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana

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Independent Auditors' Report

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of South Bossier Parish Fire District No. 2, a component unit of the Bossier Parish Police Jury, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the South Bossier Parish Fire District No. 2's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the South Bossier Parish Fire District No. 2 as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages and 3 through 8 and on pages 23 – 24, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2013, on our consideration of South Bossier Parish Fire District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Bossier Parish Fire District No. 2's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
July 1, 2013

SOUTH BOSSIER PARISH FIRE DISTRICT NO. 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of South Bossier Parish Fire District No. 2's financial performance provides an overview of the South Bossier Parish Fire District No. 2's financial activities for the fiscal year ended December 31, 2012. Please read it in conjunction with the District's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

The South Bossier Parish Fire District No. 2's net position increased by \$477,404 or 10%.

The South Bossier Parish Fire District No. 2's total general revenues were \$1,795,613 in 2012 compared to \$1,735,981 in 2011.

During the year ended December 31, 2012, the South Bossier Parish Fire District No. 2 had total expenses, excluding depreciation of \$1,137,568, compared to \$1,093,777 in 2011.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 9 and 10) provide information about the activities of the South Bossier Parish Fire District No. 2 as a whole and present a longer term view of the District's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the South Bossier Parish Fire District No. 2's operations in more detail than the government-wide statements by providing information about the South Bossier Parish Fire District No. 2's most significant funds.

The South Bossier Parish Fire District No. 2 was determined to be a component unit of the Bossier Parish Police Jury. The police jury is financially accountable for the district because it appoints or ratifies a voting majority of the board and has the ability to impose its will on them. The accompanying financial statements present information only on the funds maintained by the South Bossier Parish Fire District No. 2.

Reporting the South Bossier Parish Fire District No. 2 as a Whole

Our analysis of the South Bossier Parish Fire District No. 2 as a whole begins on page 9. One of the most important questions asked about the South Bossier Parish Fire District No. 2's finances is "Is the South Bossier Parish Fire District No. 2 as a whole better off or

worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the funds maintained by the South Bossier Parish Fire District No. 2 as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the South Bossier Parish Fire District No. 2's *net position* and changes in them. You can think of the South Bossier Parish Fire District No. 2's net position – the difference between assets and liabilities – as one way to measure the South Bossier Parish Fire District No. 2's financial health, or *financial position*. Over time, *increases* or *decreases* in the South Bossier Parish Fire District No. 2's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax base, to assess the overall health of the District.

In the Statement of Net Position and the Statement of Activities, we record the funds maintained by the South Bossier Parish Fire District No. 2 as governmental activities:

Governmental activities – all of the expenses paid from the funds maintained by the South Bossier Parish Fire District No. 2 are reported here which consists primarily of personal services, materials and supplies, travel, repairs and maintenance and other program services. Ad valorem taxes finance most of these activities.

Reporting the District's Most Significant Funds

Our analysis of the major funds maintained by the South Bossier Parish Fire District No. 2 begins on page 11. The fund financial statements begin on page 11 and provide detailed information about the most significant funds maintained by the South Bossier Parish Fire District No. 2 – not the South Bossier Parish Fire District No. 2 as a whole. The South Bossier Parish Fire District No. 2's *governmental funds* use the following accounting approaches:

Governmental funds – All of the South Bossier Parish Fire District No. 2's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the South Bossier Parish Fire District No. 2's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain South Bossier Parish Fire District No. 2 expenses. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the

Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

THE SOUTH BOSSIER PARISH FIRE DISTRICT NO. 2 AS A WHOLE

The South Bossier Parish Fire District No. 2's total net position changed from a year ago, increasing from \$4,934,645 to \$5,412,049. Our analysis below will focus on key elements of the total governmental funds for the December 31, 2012 and 2011 years.

Table 1
Net Position

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 3,588,990	\$ 3,037,642
Capital assets	<u>1,997,487</u>	<u>2,009,657</u>
Total assets	<u>5,586,477</u>	<u>5,047,299</u>
Total liabilities	<u>174,428</u>	<u>112,654</u>
Net position:		
Investments in capital assets, net of related debt	1,997,487	2,009,657
Unrestricted	<u>3,414,562</u>	<u>2,924,988</u>
Total net position	<u>\$ 5,412,049</u>	<u>\$ 4,934,645</u>

Net position of the South Bossier Parish Fire District No. 2's governmental activities increased by \$477,404 or 10%. Unrestricted net position, the part of net position that can be used to finance South Bossier Parish Fire District No. 2's expenses without constraints or other legal requirements totaled \$3,414,562 at December 31, 2012, compared to \$2,924,988 at December 31, 2011.

Table 2
Change in Net Position

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues		
Program Revenues		
Operating grants	\$ 14,159	\$ 30,319
General Revenues		
Ad valorem taxes	1,741,403	1,669,451
Intergovernmental	25,018	25,258
Interest income	7,925	6,142
Miscellaneous	<u>21,267</u>	<u>35,130</u>
Total revenues	<u>1,809,772</u>	<u>1,766,300</u>
Expenses		
Public safety – fire protection	<u>1,332,368</u>	<u>1,287,345</u>
Increase in net position	<u>\$ 477,404</u>	<u>\$ 478,955</u>

Total revenues increased \$43,472 (2%) from total revenues in the year ended December 31, 2011 of \$1,766,300 to total revenues of \$1,809,772 in the year ended December 31, 2012. The primary reason for the increase was an increase in property tax revenues due to continued growth in the parish.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental fund (as presented in the balance sheet on page 11) reported a fund balance of \$3,312,468, which is higher than last year's fund balance of \$2,821,750. The primary reason for this increase is an increase in *property tax revenues*.

General Fund Budgetary Highlights

The District adopted a budget for its General Fund for the year ended December 31, 2012. There was one amendment to the budget during the year. The District's budgetary comparison is presented as required supplementary information and shown on page 23. *Highlights for the year are as follows:*

- Revenues received were slightly higher than budgeted revenues.
- Expenditures for capital outlay were less than anticipated due to a delay in the start of construction of new station.

The District's General Fund balance of \$3,312,468 reported on page 11 differs from the General Fund's *budgetary* fund balance of \$1,828,586 reported in the budgetary comparison schedule on page 23. This is primarily due to the District budgeting on the cash basis of accounting.

CAPITAL ASSETS

At the end of December 31, 2012 and 2011, the South Bossier Parish Fire District No. 2 had invested \$1,997,487 and \$2,009,657, respectively, in capital assets. (see table 3 below)

Table 3
Capital Assets At Year End
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 38,130	\$ 38,130
Vehicle in process	—	—
Construction in process	202,060	24,730
Idle Assets	2,646	2,646
Buildings	390,924	423,628
Equipment	181,893	219,398
Vehicle	<u>1,181,834</u>	<u>1,301,125</u>
Total	<u>\$ 1,997,487</u>	<u>\$ 2,009,657</u>

This year's major additions included:

Buildings	\$ —	\$ 11,143
Vehicles	—	234,471
Construction in process	177,330	24,730
Various equipment	<u>5,300</u>	<u>9,575</u>
	<u>\$ 182,630</u>	<u>\$ 279,919</u>

More detail information about the capital assets are presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The South Bossier Parish Fire District No. 2's management considered many factors when setting a fiscal year December 31, 2013 budget. Revenues are expected to be substantially the same as 2013. Expenditures are expected to increase due to capital outlay expenditures associated with the construction of a new facility.

CONTACTING THE FIRE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the South Bossier Parish Fire District No. 2 and to show the South Bossier Parish Fire District No. 2's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the South Bossier Parish Fire District No. 2, 3551 Highway 527, Elm Grove, LA 71051.

South Bossier Parish Fire District No. 2
 Elm Grove, Louisiana
 Statement of Net Position
 December 31, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 532,980
Investments	1,313,404
Accounts receivable - ad valorem taxes	1,733,878
Accounts receivable - other	3,414
Prepaid Insurance	5,314
Capital assets (net)	<u>1,997,487</u>
Total assets	<u>5,586,477</u>
LIABILITIES	
Accounts payable	119,648
Accrued expenses	<u>54,780</u>
Total liabilities	<u>174,428</u>
NET POSITION	
Investment in capital assets	1,997,487
Unrestricted	<u>3,414,562</u>
Total net position	<u><u>\$ 5,412,049</u></u>

See accompanying notes to the basic financial statements.

South Bossier Parish Fire District No. 2
 Elm Grove, Louisiana
 Statement of Activities
 For the Year Ended December 31, 2012

GOVERNMENTAL ACTIVITIES

Expenses:

General government	\$ 55,036
Public safety - fire protection	<u>1,277,332</u>
Total expenses	<u>1,332,368</u>

Program revenues:

Operating grants and contributions	<u>14,159</u>
Net program expenses	(1,318,209)

General revenues:

Ad valorem taxes	1,741,403
Intergovernmental - fire insurance rebate	25,018
Interest income	7,925
Miscellaneous	<u>21,267</u>
Total general revenues	<u>1,795,613</u>

Change in net position	477,404
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Net position - beginning	<u>4,934,645</u>
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Net position - ending	<u><u>\$ 5,412,049</u></u>
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See accompanying notes to the basic financial statements.

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Balance Sheet
Governmental Fund
December 31, 2012

	<u>General Fund</u>
Assets	
Cash	\$ 532,980
Investments	1,313,404
Accounts receivable - ad valorem taxes	1,733,878
Accounts receivable - other	3,414
Total assets	<u>\$ 3,583,676</u>
Liabilities	
Accounts payable	\$ 119,648
Accrued expenses	54,780
Deferred revenue	96,780
Total liabilities	<u>271,208</u>
Fund balances	
Unassigned	<u>3,312,468</u>
Total fund balance	3,312,468
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,997,487
Other long-term assets are not available to pay for current - period expenditures and therefore are deferred in the governmental funds.	96,780
The nonallocation method of accounting for prepayment is used in the fund statements, since the prepayment does not provide expendable financial resources.	<u>5,314</u>
Net position of governmental activities	<u>\$ 5,412,049</u>

See accompanying notes to the basic financial statements.

South Bossier Parish Fire District No. 2
 Elm Grove, Louisiana
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Fund
 For the Year Ended December 31, 2012

	General Fund
Revenues	
Ad valorem taxes	\$ 1,742,546
Intergovernmental-fire insurance rebate	25,018
Intergovernmental - grant income	14,159
Donations and other income	21,267
Interest income	7,925
	<u>1,810,915</u>
Total revenues	
Expenditures	
Current:	
General government	55,036
Public Safety	1,082,531
Capital outlay	182,630
	<u>1,320,197</u>
Total expenditures	
	<u>1,320,197</u>
Net change in fund balance	490,718
Fund balances at beginning of year	<u>2,821,750</u>
Fund balances at end of year	<u><u>\$ 3,312,468</u></u>

See accompanying notes to the basic financial statements.

South Bossier Parish Fire District No. 2
 Elm Grove, Louisiana
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Fund to the Statement of Activities
 For the Year Ended December 31, 2012

Net change in fund balances - total governmental funds	\$	490,718
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over <i>their estimated useful lives and reported as depreciation expense</i> . This is the amount by which capital outlay (\$194,800) exceeded depreciation (\$182,630) in the current period.		(12,170)
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Revenues in the statement of activities that do not provide current <i>financial resources are not reported as revenues in the funds.</i>		(1,143)
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The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.		<div style="border-top: 1px solid black; display: inline-block; width: 100%;">(1)</div>
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Change in net position of governmental activities	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">477,404</div>
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See accompanying notes to the basic financial statements.

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Notes to Financial Statements
December 31, 2012

INTRODUCTION

The South Bossier Parish Fire District No. 2 was created by the Bossier Parish Police Jury, as authorized by Louisiana Revised Statute 40:1492, on June 11, 1985 by ordinance number 1113. The district is governed by a five member board of commissioners appointed by the Bossier Parish Police Jury. The Board of Commissioners received no compensation during 2012. The district is responsible for maintaining and operating fire stations and equipment and providing fire protection within the boundaries of the district.

(1) Summary of Significant Accounting Policies

The South Bossier Parish Fire District No. 2's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the South Bossier Parish Fire District No. 2 is discussed below.

A. Reporting Entity

The district is a component unit of the Bossier Parish Police Jury, the financial reporting entity. The police jury is financially accountable for the district because it appoints or ratifies a voting majority of the board and has the ability to impose its will on them.

The accompanying financial statements present information only on the funds maintained by the district and do not present information on the Bossier Parish Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basic Financial Statements – Government-Wide Statements

The South Bossier Parish Fire District No. 2's basic financial statements include both government-wide (reporting the funds maintained by the South Bossier Parish Fire District No. 2 as a whole) and fund financial statements (reporting the South Bossier Parish Fire District No. 2's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The South Bossier Parish Fire District No. 2's general fund is classified as governmental activities. The South Bossier Parish Fire District No. 2 does not have any business-type activities.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables. The South Bossier Parish Fire District No. 2's net position is reported in two parts – invested in capital assets and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the South Bossier Parish Fire District No. 2's functions. The functions are supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by any related program revenues, which must be directly associated with the function. Program revenues consist of operating grants.

(Continued)

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

This government-wide focus is more on the sustainability of the South Bossier Parish Fire District No. 2 as an entity and the change in the South Bossier Parish Fire District No. 2's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the South Bossier Parish Fire District No. 2 are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the South Bossier Parish Fire District No. 2:

Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the South Bossier Parish Fire District No. 2:

- a. General fund is the general operating fund of the South Bossier Parish Fire District No. 2. It is used to account for all financial resources except those required to be accounted for in another fund.

The emphasis in fund financial statements is on the major funds in the governmental category. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The district's general fund was determined to be a major fund.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The governmental funds in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the South Bossier Parish Fire District No. 2 consist principally of property taxes, other intergovernmental revenues, donations, and interest income. Property taxes are recorded in the year the taxes are assessed. Property taxes are assessed on a calendar year

(Continued)

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December of the current year and January and February of the ensuing year. Interest income is recorded when earned. Donations and other intergovernmental revenues are recorded when received in cash because they are generally not measurable until actually received.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this rule is that principal and interest on general obligation long-term debt, if any, is recognized when due. Depreciation is not recognized in the governmental fund financial statements.

E. Budgets

The district uses the following budget practices:

1. A preliminary budget for the ensuing year is prepared by the Fire Chief and Officers of the District prior to December 31 of each year and is made available for public inspection at least fifteen days prior to the beginning of each fiscal year.
2. After completion of all action necessary to finalize and implement the budget, the budget is adopted by the Board of Commissioners.
3. All budgetary appropriations lapse at the end of each fiscal year.
4. *The budget is established and controlled by the board of commissioners at the object level of expenditure. All changes in the budget must be approved by the board.*
5. *The budget is adopted on a cash basis for the general fund. There was one amendment to the 2012 budget, which is reflected in the accompanying budgetary financial statements.*

F. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, interest-bearing demand deposits, and money market accounts.

Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or money market accounts with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

(Continued)

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are carried at cost, which approximates market.

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	25 years
Vehicles	15 years
Equipment	3 – 25 years

H. Compensated Absences

The district has the following policy relating to vacation and sick leave:

Full-time employees of the district earn 10 days of vacation leave each year. The administrative employees can carryover two days of leave and the firefighters can carryover two shifts of leave into the next year. The cost of leave privileges, computed in accordance with the above policy, is recognized as current-year expenditure within the various funds when leave is actually taken.

I. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

J. Deferred Revenue

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied. On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

(Continued)

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

K. Net Position

Government-wide net position is divided into three components: Net investment in capital assets consists of the historical cost of capital assets less accumulated depreciation and less any debt *that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets*. Restricted net position consists of assets that are restricted by the district's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (less related liabilities and deferred inflows of resources). All other net position is reported as unrestricted net position. When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the district's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

L. Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

1. *Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.*
2. *Restricted – amounts that can be spent only for specific purposes due to constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.*
3. *Committed - amounts that can be used only for the specific purposes as a result of constraints imposed by the board of commissioners (the district's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the board of commissioners remove those constraints by taking the same type of action (i.e. legislation, resolution, ordinance).*
4. *Assigned - amounts that are constrained by the district's intent to be used for specific purposes, but are neither restricted nor committed.*
5. *Unassigned - all amounts not included in other spendable classifications*

The district's policy is to apply expenditures against restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceeds the positive fund balance for the non-general fund.

(Continued)

South Bossier Parish Fire District No. 2
 Elm Grove, Louisiana
 Notes to Financial Statements
 December 31, 2012
 (Continued)

(2) New Accounting Standards

Effective January 1, 2012, the district implemented the following GASB statement: GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This Statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position.

(3) Levied Taxes

The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Operating	12.26	12.26	2017

(4) Cash, Cash Equivalents and Investments

At December 31, 2012, the District has cash, cash equivalents and investments (book balances) totaling \$1,846,384 as detailed below:

A. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2012 (book balances) totaled \$532,980. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

B. Investments

At December 31, 2012, the District had investments totaling \$1,313,404 consisting of certificates of deposits with initial maturities greater than 90 days. The certificates of deposits are carried at cost, which approximates market.

C. Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2012, \$1,348,210 of the District's bank balances totaling \$1,848,210 were exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's
 trust department not in the District's name:

Cash and Cash equivalents	\$ 284,949
Investments	<u>1,063,261</u>
Total	<u>\$ 1,348,210</u>

(Continued)

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, as amended by GASB Statement 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the clerk that the fiscal agent has failed to pay deposited funds upon demand.

(5) Pension Plan

Certain employees of the District are members of the Louisiana Firefighters Retirement System (System), a cost-sharing multi-employer, defined benefit pension plan administered by a separate board of trustees. Membership in the Louisiana Firefighters Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance prior to January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to three and one-third per cent of their final-average salary for each year of creditable service, not to exceed 100 percent of their final average salary. Final-average salary is the employee's average salary over the 36 consecutive months or joined months that produce the highest average. Employees who terminate with at least 12 years of service, and who do not withdraw their employee contributions, may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (504) 925-4060.

Plan members are required by state statute to contribute 10.0 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. Contribution rates were 23.25% for January through June, 2012, and 24% for July through December, 2012. The contribution requirements of plan members and the District are established and may be amended by state statute.

As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contributions to the System for the years ending December 31, 2012, 2011 and 2010 were \$127,914, \$110,704 and \$75,777.

Other employees of the district who are not eligible to participate in the Firefighters' Retirement System are members of the Social Security System.

(Continued)

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

(6) Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance at January 1, 2012	Additions	Deletions	Balance at December 31, 2012
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 38,130	\$	\$	\$ 38,130
Idle Assets	9,450			9,450
Construction in process	24,730	177,330		202,060
Vehicle in progress				
Total capital assets, not being depreciated	<u>72,310</u>	<u>177,330</u>		<u>249,640</u>
Capital assets, being depreciated:				
Buildings	824,608			824,608
Equipment	449,594	5,300		454,894
Vehicles & Improvements	2,512,431			2,512,431
Total capital assets, being depreciated, at historical cost	<u>3,786,633</u>	<u>5,300</u>		<u>3,791,933</u>
Less accumulated depreciation:				
Idle Assets	(6,804)			(6,804)
Buildings	(400,980)	(32,704)		(433,684)
Equipment	(230,196)	(42,805)		(273,001)
Vehicles	(1,211,306)	(119,291)		(1,330,597)
Total accumulated depreciation	<u>(1,849,286)</u>	<u>(194,800)</u>		<u>(2,044,086)</u>
Total capital assets, being depreciated, net	<u>1,937,347</u>	<u>(189,500)</u>		<u>1,747,847</u>
Governmental activities capital assets, net	<u>\$ 2,009,657</u>	<u>\$ (12,170)</u>	<u>\$</u>	<u>\$ 1,997,487</u>

Depreciation expense for the year ended December 31, 2012 was \$194,800.

(Continued)

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

(7) Risk Management

The District purchases commercial insurance to provide workers compensation coverage and general liability and property insurance. There were no significant reductions in insurance coverage from the prior year.

(8) Accrued Expenses

Accrued expenses at December 31, 2012, consisted of the following:

Accrued payroll	\$	30,894
Accrued leave		3,345
Payroll liabilities		<u>20,541</u>
	\$	<u>54,780</u>

(9) Commitments

The District entered into contracts with an architect and a contractor to design and construct a new station. These contracts totaled approximately \$839,950. As of December 31, 2012 the District had incurred costs of approximately \$200,864 on these contracts, with the remaining \$639,086 to be paid in the subsequent year.

(10) Subsequent Events

Subsequent events have been evaluated through July 1, 2013, the date the financial statements were available to be issued.

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance -
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
Revenues				
Ad valorem taxes	\$ 1,611,250	\$ 1,611,250	\$ 1,681,871	\$ 70,621
Intergovernmental-fire insurance rebate	25,000	25,000	25,018	18
Donations and other income	3,000	16,927	21,267	4,340
Grant income	17,000	11,000	15,853	4,853
Interest income	6,000	8,000	7,925	(75)
Total revenues	1,662,250	1,672,177	1,751,934	79,757
Expenditures				
Current:				
General government			53,613	(53,613)
Public Safety	1,125,000	1,173,927	1,029,298	144,629
Capital outlay	975,000	936,000	182,630	753,370
Total expenditures	2,100,000	2,109,927	1,265,541	844,386
Excess of revenues over (under) expenditures	(437,750)	(437,750)	486,393	924,143
Fund balances at beginning of year	437,750	437,750	1,342,193	904,443
Fund balances at end of year	<u>\$</u>	<u>\$</u>	<u>\$ 1,828,586</u>	<u>\$ 1,828,586</u>

See accompanying note to required supplementary information.

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Notes to Required Supplementary Information
December 31, 2012

The District's budget is adopted on a cash basis for all funds. There was one amendment to the 2012 budget. Budget comparison statements included in the accompanying financial statements include the original and adopted budgets. The schedule below reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the budget basis with GAAP basis:

	<u>General Fund</u>
Excess of revenues and other sources	
Over (under) expenditures and	
other uses (budget basis)	\$ 486,393
Adjustments:	
Revenue accruals – net	58,981
Expenditure accruals – net	<u>(54,656)</u>
Excess of revenues and other sources	
Over (under) expenditures and	
other uses (GAAP basis)	<u>\$ 490,718</u>

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Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Independent Auditors' Report

Board of Commissioners
South Bossier Parish Fire District No. 2

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the South Bossier Parish Fire District No. 2 as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the South Bossier Parish Fire District No. 2's basic financial statements, and have issued our report thereon dated July 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the South Bossier Parish Fire District No. 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Bossier Parish Fire District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Bossier Parish Fire District No. 2's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Summary Schedule of Audit Findings as item 2012-1 that we consider to be a significant deficiency.

Compliance and Other Matters

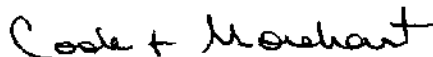
As part of obtaining reasonable assurance about whether South Bossier Parish Fire District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, *noncompliance with which could have a direct and material effect on the determination of financial statement amounts*. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

South Bossier Parish Fire District No. 2's Response to Finding

South Bossier Parish Fire District No. 2's response to the finding identified in our audit is described in the accompanying Summary Schedule of Audit Findings. South Bossier Parish Fire District No. 2's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cook & Morehart
Certified Public Accountants
July 1, 2013

South Bossier Parish Fire District No. 2
Elm Grove, Louisiana
Summary Schedule of Audit Findings
December 31, 2012

Summary Schedule of Prior Year Audit Findings

There were no management letter comments for the prior year audit for the year ended December 31, 2011. There was one finding for the prior year audit for the year ended December 31, 2011, as follows:

Reference No: 2011-1

Condition: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the District's annual financial statements. This condition is intentional by management based upon the District's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Current Status: See repeat comment in current year audit.

Corrective Action Plan for Current Year Audit Findings

There are no management letter comments for the current year audit for the year ended December 31, 2012. There is one finding for the current year audit for the year ended December 31, 2012, as follows:

2012-1 Financial Statement Preparation

Condition: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. This condition is intentional by management based upon the agency's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance.

Recommendation: Whether or not it would be cost effective to cure a control deficiency is not a factor in applying Statement on Auditing Standards (SAS) 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Response: We concur with the auditor's finding and recommendation.